

PSC Approves Pilot Distributed Generation Program & “Standby Rates” Protocol

Albany, NY – 10/24/01 (News Release)

The New York State Public Service Commission today voted to approve a three-year distributed generation pilot program to begin this fall. Its purpose is to provide for the objective and timely consideration of distributed generation projects as a resource in the distribution system planning processes. The projects are called “distributed generation” because the small generating units – unlike central generating stations – can be located or “distributed” widely throughout a utility’s service territory. Today’s Commission decision establishes a process for utilities to award a set number of contracts for distributed generation projects that could take the place of distribution system construction. Further, in a separate decision today, the Commission approved a protocol for special “standby rates.” Such rates will apply to distributed generation customers who remain connected to their local utility system for backup power. The guidelines rely on a more cost-based approach to charging for distribution service than rates that currently apply to standby customers.

In approving the pilot and related standby rate guidelines, Commission Chairman Maureen O. Helmer stated, “By making it easier for customers to generate their own electricity, we reduce the demands on the local utility system and improve the system’s efficiency.”

In 1999, the New York Public Service Commission became one of the first utility regulatory agencies in the country to adopt standardized procedures, including technical requirements, for connecting distributed generation units to a local utility’s distribution system. Today’s decisions are the latest in a series of steps to facilitate the installation of distributed generation as another energy choice for New Yorkers to consider in the developing competitive markets.

Contracts For Distributed Generation That Replaces Distribution System Construction

Under the Distributed Generation Pilot Program, each of the six investor-owned electric utilities in the state will review in 2001, 2002, and 2003 their forecasted distribution requirements for the coming year and identify the needs, if any, that might be satisfied through the installation and operation of distributed generation. They will then issue requests for proposals (RFPs), during the 2002-2003 planning year, for customer-owned projects. The utilities could then award contracts for distributed generation projects that can eliminate or reduce the need to expand their distribution system facilities. The Pilot Program establishes pre-qualification procedures for bidders responding to a utility’s RFP. Bidders must provide information to demonstrate technical competence, financial stability, and the ability to fulfill distributed generation obligations under an awarded contract. A project that qualifies for a contract must provide the same level of system reliability and assured quality of service to customers as would the utility’s own distribution system. Any projects that move toward development under the Pilot will remain subject to all applicable federal, state or local permitting or registration requirements, including those under the State Environmental Quality Review Act. At the end of the three-year period, the utilities and other interested parties will evaluate the success of the Pilot in helping to meet the demand on their individual local electric distribution systems.

Standby Rates For Distributed Generation Customers In a separate, but related, decision today, the Commission approved guidelines for the design of standby service rates that are offered by utilities to wholesale generators, all self-generation customers, including small distributed generation customers, and others who need to remain connected to the local distribution system for backup power purposes. The Guidelines will apply only to the delivery service provided a customer and are independent of the customer’s rate for the electricity commodity itself. The Commission will issue written decisions detailing today’s actions related to distributed generation and standby service rates. The decisions in Commission Cases 00E0005 and 99E1470, respectively, when available, can be

obtained from the Commission's website at <http://www.dps.state.ny.us> by accessing the Commission Documents section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).

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